

Message Text

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ORIGIN AF-06

INFO OCT-01 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00 DOTE-00

EB-07 INR-07 NSAE-00 FAA-00 L-03 /026 R

DRAFTED BY AF/C:EMARKS:GJB

APPROVED BY AF/C:TRBUCHANAN

AF:TWSEELYE

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R 091201Z APR 76

FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA

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E.O. 11652: N/A

TAGS: CG, EAIR

SUBJECT: PAN AM CONTRACT WITH AIR ZAIRE

1. PAN AM VP FLANAGAN AND WASHINGTON REP HAMBLETON MET WITH AF ACTG. ASST. SEC. SEFLYE APRIL 7 TO TO DISCUSS PANAMS DEBT PROBLEM IN ZAIRE. FLANAGAN EXPLAINED THAT PAN AM HAS REACHED POINT WHERE IT CANNOT RPT NOT CONTINUE TO SUPPORT INCREASING ACCOUNTS RECEIVABLE SITUATION IN ZAIRE. (PRESENT ARREARAGES ARE 3.5 MILLION DOLLARS AND MONTHLY BILLS ARE OVER 200,0,0 DOLLARS). PAN AM STOCKHOLDER MEETING SCHEDULED FOR MAY AND PAN AM PRESIDENT HAS DECIDED THAT COMPANY MUST PULL OUT OF ZAIRE BY JULY 1 UNLESS PAYMENT SITUATION REVERSED. FLANAGAN EXPHASIZED THIS IS FIRM DECISION DICTATED BY PAN AM'S OWN PERILOUS FINANCIAL SITUATION. FLANAGAN SAID THAT BECAUSE OF POTENTIAL IMPLICATIONS OF ANY PAN AM DECISION TO PULL OUT OF ZAIRE, COMPANY WANTS TO CONSULT CLOSELY WITH US. HE NOTED THAT ELSEWHERE, INCLUDING VIET NAM, USG HAD USED AID RESOURCES TO HELP IN SIMILAR SITUATION.

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2. SEELYE EXPRESSED APPRECIATION THAT PAN AM WAS KEEPING US INFORMED AND SYMPATHIZED WITH PAN AM'S PLIGHT IN ZAIRE. HE SAID THAT DEPARTMENT HAD JUST BEEN IN

TELEPHONIC CONTACT WITH KINSHASA AND HAD LEARNED THAT GOZ HAD ALREADY CALLED IN NUMBER OF AMERICAN FIRMS, TO DISCUSS PAYMENT OF ARREARAGES AND CURRENT BILLS. WE UNDERSTOOD THAT PAN AM REP WILL ALSO BE CALLED IN AND WE FIND THIS ENCOURAGING.

3. SEELYE EXPRESSED VIEW THAT IMF STABILIZATION LOAN, TOGETHER WITH EVIDENT INTENTION OF GOZ TO TIGHTEN ITS BELT, ARE POSITIVE FACTORS. IMF LOAN WOULD PERMIT MEETING CURRENT BILLS AND ALSO HOPEFULLY ASSIST EFFORTS TO REDUCE BACKLOG. HOWEVER COMPLETE ELIMINATION OF LATTER WILL NO DOUBT TAKE AT LEAST A YEAR SINCE IMF DESIGNED FOREX BUDGET WILL ONLY PROVIDE MAXIMUM OF 70 MILLION DOLLARS FOR THIS PURPOSE. HE ASKED WHETHER PAN AM COULD ACCEPT A DRAWN-OUT SCHEDULE OF PAYMENTS FOR ARREARAGES COMBINED WITH PAYMENTS FOR CURRENT SERVICES. FLANAGAN STATED THAT SERIOUS ZAIRIAN COMMITMENT TO MEETING CURRENT BILLS PLUS REGULAR PAYMENTS OF ARREARAGES WOULD PROBABLY CONVINCE PAN AM TO REMAIN IN ZAIRE.

4. FLANAGAN URGED THAT PAN AM'S DESPERATE PLIGHT ACCORD IT PRIORITY OVE- OTHER FIRMS IN GOZ'S FULLFILLMENT OF OBLIGATIONS. SEELYE MADE POINT THAT IT WAS DIFFICULT TO FAVOR ONE US FIRM OVER OTHERS, PARTICULARLY COUNTRIES OF OBVIOUS INTEREST OF USG AND OTHER CREDITOR COUNTRIES IN NON-DISCRIMINATORY TREATMENT OF DEBTS.

5. SEELYE EXPRESSED DOUBT THAT POSSIBLE EXIM LINE OF CREDIT COULD BE APPLIED, TO ANY APPRECIABLE AMOUNT, TO PAN AM'S CASE. BUT HE ASSURED FLANAGAN THAT USG WANTS TO BE AS HELPFUL AS POSSIBLE AND SUGGESTED THAT HE CONTACT US AGAIN ONCE PAN AM'S REPRESENTATIVE HAS BEEN CALLED IN BY ZAIRIAN CENTRAL BANK GOVERNOR SAMBWA. KISSINGER

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